

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Graafschap Fire Department	County Allegan
Fiscal Year End March 31, 2006	Opinion Date August 4, 2006	Date Audit Report Submitted to State September 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None	
Other (Describe)	<input type="checkbox"/>	None	
Certified Public Accountant (Firm Name) Kiekoover, Scholma & Shumaker, PC		Telephone Number 616-772-4615	
Street Address 205 East Main Street		City Zeeland	State MI
Authorizing CPA Signature 		Printed Name Joseph Kuiper	Zip 49464
		License Number A256574	

**GRAAFSCHAP FIRE DEPARTMENT  
ALLEGAN COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED MARCH 31, 2006**

**KIEKOVER, SCHOLMA & SHUMAKER, PC  
Certified Public Accountants  
Zeeland, Michigan**

Graafschap Fire Department  
Allegan County, Michigan  
ANNUAL FINANCIAL REPORT  
Year Ended March 31, 2006

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## INDEPENDENT AUDITOR'S REPORT

August 4, 2006

Fire Department Board  
Graafschap Fire Department  
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund of Graafschap Fire Department as of and for the year ended March 31, 2006, which collectively comprise the department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Graafschap Fire Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Graafschap Fire Department, as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages II through V and page 9, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Kiekoever, Scholma & Shumaker, PC*

Graafschap Fire Department  
Allegan County, Michigan

**Management's Discussion and Analysis**

As management of Graafschap Fire Department ("Department"), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities of the Department for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here in conjunction with the Department's financial statements that follow this section.

The Department was formed for the purpose of providing fire protection services to Laketown Township and Fillmore Township. The Department's governing board consists of two members appointed by Laketown Township and two members appointed by Fillmore Township. The agreement between the townships provides that the costs of operations of the Department be allocated to the townships based on runs in each township and tax base.

**Financial Highlights**

- The assets of the Department exceeded its liabilities at the close of the most recent fiscal year by \$652,440 (*net assets*), all of which is restricted for fire protection.
- The Department's total net assets increased by \$7,209. This is reflected in a net decrease in capital assets, net of related debt of \$20,452, and an increase in net assets restricted for fire protection of \$27,661.
- As of the close of the current fiscal year, the Department's governmental (general) fund reported an ending fund balance of \$62,087, an increase of \$26,583 in comparison with the prior year. All of this fund balance is reserved for fire protection.
- The Department's total debt decreased by \$41,276 (6.4%) during the current fiscal year. This is the result of the Department making its required scheduled debt service payments of \$41,276 while incurring no new debt during the year.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Graafschap Fire Department's basic financial statements. The Department's basic financial statements are comprised of two components: the financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Financial statements.** The financial statements are presented in a columnar format. The Department maintains only one fund, a governmental fund (general fund) that is presented in the first column (*governmental funds* financial statements) and is prepared on the modified accrual basis of accounting. These fund financial statements present a short-term view and tell how resources were spent during the year as well as what remains for future spending. Such financial information may be helpful in evaluating the Department's near-term financing requirements.

The second column in the financial statements presents the adjustments necessary to reconcile the *governmental fund* financial statements to the *governmental activities* financial statements (*Statement of Net Assets* and *Statement of Activities*) presented in the third column.

These *governmental activities* financial statements are designed to provide the readers with a broad view of the Department's finances, in a manner similar to a private-sector business and, therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Department's finances and whether the full cost of government services have been funded. The two governmental activities statements are as follows:

- The *statement of net assets* presents information on all of the Department's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.
- The *statement of activities* presents information showing how the Department's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that result in cash flows in different fiscal periods.

The Department adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic *governmental fund* financial statements and *governmental activities* financial statements can be found on pages 1-2 of this report.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the governmental fund and governmental activities financial statements. The notes to the financial statements can be found on pages 3-8 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting budgetary comparisons for the Department's General Fund found on page 9 of this report.

### **Financial Analysis of the Department as a Whole**

The following table shows, in a condensed format, the net assets of Graafschap Fire Department as of March 31, 2006 and 2005.

**TABLE 1 - Graafschap Fire Department's Net Assets**

	2006	2005
Cash	\$ 87,991	\$ 63,191
Capital assets	1,208,878	1,270,606
Total Assets	1,296,869	1,333,797
Long-term debt outstanding	604,920	646,196
Other liabilities	39,509	42,370
Total Liabilities	644,429	688,566
Net Assets		
Invested in capital assets, net of related debt	603,958	624,410
Restricted	48,482	20,821
Total Net Assets	\$ 652,440	\$ 645,231

The following analysis highlights the changes in net assets for the years ended March 31, 2006 and 2005:

**TABLE 2 - Changes in Graafschap Fire Department's Net Assets**

	<u>2006</u>	<u>2005</u>
<b>Revenues</b>		
Local unit contributions	\$ 330,820	\$ 317,720
Other	<u>14,124</u>	<u>9,514</u>
<b>Total Revenues</b>	<u>344,944</u>	<u>327,234</u>
<b>Expenses</b>		
Public safety	305,721	287,171
Interest on long term debt	<u>32,014</u>	<u>33,916</u>
<b>Total Expenses</b>	<u>337,735</u>	<u>321,087</u>
<b>Change in Net Assets</b>	<u>\$ 7,209</u>	<u>\$ 6,147</u>

**Financial Analysis of the Department's General Fund**

Total revenue sources for fiscal year 2006 increased by \$17,710 (5.4%) to \$344,944, compared to the prior year, and consisted of contributions from Laketown Township and Fillmore Township of \$330,820, and miscellaneous other revenues of \$14,124. Expenditures for fiscal year 2006 increased by \$21,635 (7.3%) to \$318,361, compared to the prior year, and consisted of \$243,993 of current expenditures, \$41,276 in principal payments, and \$33,092 of interest and fiscal charges.

The March 31, 2006 fund balance of the General Fund is \$62,087, which is reserved for fire protection. This is an increase of \$26,583 from the prior year.

**General Fund Budgetary Highlights**

Over the course of the year, the Department Board amended the budget to take into account events during the year. The budgeted amount for other revenues increased due to an increase in expected contributions from private sources. The budgeted amount for current expenditures was changed due to reduction in contracted services, an increase in liability insurance, and miscellaneous changes to other budgeted amounts.

**Capital Assets and Debt Administration**

**Capital assets.** The Department's investment in capital assets as of March 31, 2006, amounted to \$1,208,878 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The total change in the Department's investment in capital assets for the current fiscal year was a decrease of \$61,728 (4.86%). All of the decrease was depreciation expense.

There were no major capital asset events during the current fiscal year.

Additional information on the Department's capital assets can be found in note 3B on page 6 of this report.

**Graafschap Fire Department's Capital Assets**  
(net of depreciation)

Land	\$ 13,136
Buildings and improvements	933,762
Machinery, equipment, vehicles	<u>261,980</u>
Total	<u>\$ 1,208,878</u>

**Long-term Debt.** At March 31, 2006, the Department had \$604,920 of long-term debt outstanding after repayments of \$41,276 during the year. These long-term debt obligations are scheduled to mature serially through fiscal year 2020. Additional information on the Department's long-term debt can be found in Note 3C on page 7 of this report.

**Next Year's Budget**

The Department's budget for fiscal year ended March 31, 2007 calls for an increase in local unit contribution revenues of approximately \$51,000, an increase in capital outlay expenditures of \$36,000, and an increase in debt service expenditures of approximately \$45,000. All other revenues and expenditures are expected to remain relatively static.

**Contacting the Department's Management**

This financial report is intended to provide the citizens, taxpayers, customers and investors of Laketown Township and Fillmore Township with a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact either Township.

# **Basic Financial Statements**

Graafschap Fire Department  
Allegan County, Michigan  
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS  
March 31, 2006

	General Fund	Adjustments	Statement of Net Assets
<b>ASSETS</b>			
Cash	\$ 87,991	\$ -	\$ 87,991
Capital assets	<u>-</u>	<u>1,208,878</u> (1)	<u>1,208,878</u>
Total assets	<u>\$ 87,991</u>	<u>1,208,878</u>	<u>1,296,869</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 863	-	863
Accrued payroll	25,041	-	25,041
Accrued interest	-	13,605 (3)	13,605
Noncurrent liabilities:			
Due within one year	-	41,708 (2)	41,708
Due in more than one year	<u>-</u>	<u>563,212</u> (2)	<u>563,212</u>
Total Liabilities	<u>25,904</u>	<u>618,525</u>	<u>644,429</u>
<b>FUND BALANCES/NET ASSETS</b>			
Fund balance-reserved for public safety	<u>62,087</u>	<u>(62,087)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 87,991</u>		
Net assets:			
Invested in capital assets, net of related debt		603,958	603,958
Restricted for fire protection		<u>48,482</u>	<u>48,482</u>
Total net assets		<u>652,440</u>	<u>\$ 652,440</u>

(1) Capital assets used in governmental activities are not financial resources and are not reported in the governmental (general ) fund.

(2) Non-current liabilities applicable to the Department's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.

(3) Interest accrued on long-term liabilities is not reported in the governmental (general) fund.

Graafschap Fire Department  
Allegan County, Michigan  
STATEMENT OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
Year Ended March 31, 2006

	General Fund	Adjustments	Statement of Activities
Revenues:			
Local unit contributions	\$ 330,820	\$ -	\$ 330,820
Other	<u>14,124</u>	<u>-</u>	<u>14,124</u>
Total Revenues	<u>344,944</u>	<u>-</u>	<u>344,944</u>
Expenditures:			
Current:			
Salaries and wages	131,988	-	131,988
Payroll taxes	3,269	-	3,269
Retirement	8,487	-	8,487
Supplies	23,310	-	23,310
Maintenance	15,495	-	15,495
Contracted services	20,464	-	20,464
Training, membership and dues	2,368	-	2,368
Utilities	15,301	-	15,301
Insurance	5,436	-	5,436
Depreciation	17,875	61,728 (1)	79,603
Debt service:			
Principal retirement	41,276	(41,276) (2)	-
Interest and fiscal charges	<u>33,092</u>	<u>(1,078) (3)</u>	<u>32,014</u>
Total Expenditures	<u>318,361</u>	<u>19,374</u>	<u>337,735</u>
Excess of Revenues Over Expenditures/Change in Net Assets	26,583	(19,374)	7,209
Fund Balance/Net Assets - April 1	<u>35,504</u>	<u>609,727</u>	<u>645,231</u>
Fund Balance/Net Assets - March 31	<u>\$ 62,087</u>	<u>\$ 590,353</u>	<u>\$ 652,440</u>

(1) Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This amount represents current year depreciation expense on capitalized assets.

(2) Repayment of note payable principal is reported as an expenditure in the governmental (general) fund and, thus, has the effect of reducing fund balance because current financial resources have been used. For the Department as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

(3) In the statement of activities, interest is accrued on outstanding notes payable, whereas in the governmental (general) fund, an interest expenditure is reported when due.

**Graafschap Fire Department  
Allegan County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
Year Ended March 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Graafschap Fire Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Graafschap Fire Department:

**A. Reporting Entity**

Graafschap Fire Department ("Department") is owned by Laketown Township and Fillmore Township and was established to provide fire protection services for the benefit of the residents of both Laketown and Fillmore Townships. The department's governing board consists of two members appointed by Laketown Township and two members appointed by Fillmore Township. The agreement between the townships provides that the costs of operations of the department be allocated to the townships based on runs in each township and tax base. For the year ended March 31, 2006, costs were allocated 77.81% to Laketown Township and 22.19% to Fillmore Township. The financial statements of the department are presented as a separate reporting entity and are not included with the financial statements of either Laketown Township or Fillmore Township. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the department's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

**Blended Component Unit.** The department has no blended component units.

**Discretely Presented Component Unit.** The department has no discretely presented component units.

**B. Government-Wide and Fund Financial Statements**

Separate columns are included in the financial statements for the government-wide financial statements (i.e., the statement of net assets and the statement of activities) and the fund financial statements, which present the sole governmental (general) fund of the department.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The department reports the following major governmental fund:

***General Fund***

The General Fund is the department's only fund. It accounts for all financial resources of the department.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. *Bank Deposits and Investments.***

The department's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**2. *Long-Term Obligations.***

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**3. *Capital Assets.***

Capital assets, which include property, plant, and equipment, are reported in the Statement of Net Assets. Capital assets are defined by the department as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	15
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25

**4. *Fund Equity.***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information.**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year-end.

Before March 31, the proposed budget is presented to the Townships' Boards for review. The Boards hold public hearings and a final budget must be adopted no later than March 31.

The appropriated budget is prepared by fund, function, and line item. The legal level of budgetary control adopted by the governing body is the line item level. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparisons of actual results of operations as compared to budget for the General Fund are included in the required supplemental information.

## **NOTE 3. DETAILED NOTES ON ALL FUNDS**

### **A. Deposits and Investments**

*Michigan Compiled Laws, Section 129.91*, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of department funds. The investment policy adopted by the department in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The department's deposits and investment policy are in accordance with statutory authority.

The department pools cash resources of its general fund with Laketown Township in order to facilitate the management of cash and investments. Resources applicable to a particular fund are readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements and are carried at market value.

Earnings in the pooled cash accounts are allocated to each fund based upon their respective balance of cash and investments.

At year-end, the department's carrying amount of pooled deposits was \$87,991, and all pooled deposits consisted of bank deposits (checking and savings accounts, certificates of deposit).

At year-end, the department's carrying amount of pooled deposits was all reported in the basic financial statements as cash in the department's only fund, the General (governmental) Fund.

## ***Deposits***

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that in the event of a bank failure, the department's deposits may not be returned. The department does not have a deposit policy for custodial credit risk. At year end the bank balance of the department's deposits was \$63,191, of which \$0 was covered by federal depository insurance and \$63,191 was exposed to custodial credit risk because it was uninsured and uncollateralized. The department evaluates each financial institution with which it deposits department funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

## ***Investments***

***Interest rate risk.*** Except as limited by state law as listed in the above list of authorized investments, the department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit risk.*** The department has no investment policy that limits its investment choices beyond those required by state law. At year-end, the department had no investments.

## **B. Capital Assets**

Capital asset activity of the department for the current year was as follows:

<b>Governmental Activities</b>	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Completed Construction</u></b>	<b><u>Ending Balance</u></b>
Capital Assets Not Being Depreciated					
Land	\$ 13,136	\$ -	\$ -	\$ -	\$ 13,136
Capital Assets Being Depreciated					
Building and improvements	1,100,454	-	-	-	1,100,454
Machinery and equipment	252,200	-	-	-	252,200
Vehicles	<u>370,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>370,599</u>
Subtotal	<u>1,723,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,723,253</u>
Less Accumulated Depreciation for					
Buildings and improvements	(138,450)	(28,242)	-	-	(166,692)
Machinery and equipment	(149,897)	(18,662)	-	-	(168,559)
Vehicles	<u>(177,436)</u>	<u>(14,824)</u>	<u>-</u>	<u>-</u>	<u>(192,260)</u>
Subtotal	<u>(465,783)</u>	<u>(61,728)</u>	<u>-</u>	<u>-</u>	<u>(527,511)</u>
Net Capital Assets Being Depreciated	<u>1,257,470</u>	<u>(61,728)</u>	<u>-</u>	<u>-</u>	<u>1,195,742</u>
Governmental Activities Total					
Capital Assets - Net of Depreciation	<u>\$ 1,270,606</u>	<u>\$ (61,728)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,208,878</u>

Depreciation expense of the department's governmental activities for the year amounted to \$61,728.

### C. Long-Term Debt

During 1999-2000, Laketown Township built a new fire station for the department. To finance this project, Laketown Township's Building Authority sold \$950,000 in bonds. Based on an agreement between Fillmore Township and Laketown Township, the department will pay \$750,000 of the \$950,000 bonds, plus interest, through 2019 to purchase the building from Laketown Township. The remaining amount needed to pay the bonds will be paid by Laketown Township.

Note payable activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable, Fire Station	5.25 %	2019	\$ 615,789	\$ (31,579)	\$ 584,210	\$ 31,579
Note payable, Bank of Holland (Aerial Truck)	4.25 %	2008	<u>30,407</u>	<u>(9,697)</u>	<u>20,710</u>	<u>10,129</u>
Total			<u>\$ 646,196</u>	<u>\$ (41,276)</u>	<u>\$ 604,920</u>	<u>\$ 41,708</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 41,708	\$ 30,765
2008	42,160	28,655
2009	31,579	26,526
2010	35,526	24,765
2011	35,526	22,900
2012	39,474	20,931
2013	39,474	18,859
2014	43,421	16,683
2015	43,421	14,403
2016	47,368	12,020
2017	47,368	9,533
2018	51,316	6,943
2019	51,316	4,249
2020	<u>55,263</u>	<u>1,451</u>
Total	<u>\$ 604,920</u>	<u>\$ 238,683</u>

### D. Restricted Assets

The department had no restricted assets at March 31, 2006.

## NOTE 4. OTHER INFORMATION

### A. Risk Management

The department is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions and natural disasters for which the department carries full multi-peril insurance coverage underwritten by the Michigan Municipal League. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## **B. Deferred Compensation Plan**

The department offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all department employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Trusts have been created for the plan assets, thereby insulating the assets from the unit of government's general creditors. The department has no fiduciary or administrative responsibility for the plan, therefore the plan assets are not reflected as an agency fund in the accompanying financial statements. The department also contributes a percentage of each employee's salary to the plan. For the year ended March 31, 2006, the department's contribution amounted to \$8,487.

# **Required Supplementary Information**

Graafschap Fire Department  
Allegan County, Michigan  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Local unit contributions	\$ 330,820	\$ 330,820	\$ 330,820	\$ -
Other	850	10,600	14,124	3,524
Total Revenues	331,670	341,420	344,944	3,524
Expenditures:				
Current:				
Salaries and wages	135,000	135,000	131,988	3,012
Payroll taxes	3,800	3,800	3,269	531
Retirement	8,500	8,500	8,487	13
Supplies	25,998	25,998	23,310	2,688
Maintenance	17,500	16,000	15,495	505
Contracted services	22,250	20,750	20,464	286
Training, membership & dues	3,000	3,000	2,368	632
Professional services	2,500	600	-	600
Utilities	14,500	17,000	15,301	1,699
Transportation	6,400	6,400	5,436	964
Insurance	14,000	19,400	17,875	1,525
Debt Service:				
Principal retirement	41,276	41,276	41,276	-
Interest and fiscal charges	33,092	33,092	33,092	-
Total Expenditures	327,816	330,816	318,361	12,455
Excess of Revenues Over Expenditures	3,854	10,604	26,583	15,979
Fund Balances - April 1	35,504	35,504	35,504	-
Fund Balances - March 31	\$ 39,358	\$ 46,108	\$ 62,087	\$ 15,979